

17TH
ANNUAL REPORT
2001-2002

GANDHI SPECIAL TUBES LIMITED

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GANDHI SPECIAL TUBES LIMITED

BOARD OF DIRECTORS : JAGDISH M. MEHTA

Chairman

MANUBHAI G. GANDHI

Managing Director

BHUPATRAI G. GANDHI

Joint Managing Director

DHIRAJLAL S. SHAH

Director

KAVAS N. WARDEN

Director

JAYESH M. GANDHI

Director

AUDIT COMMITTEE : DHIRAJLAL S. SHAH

Chairman

JAGDISH M. MEHTA

Director

MANUBHAI G. GANDHI

Director

COMPANY SECRETARY : N. H. MANKAD

REGISTERED OFFICE :

JARIWALA MANSION

43, K. M. MUNSHI MARG,

NEAR BHARATIYA VIDYA BHAVAN,

MUMBAI - 400 007.

Tel. No. : 363 4179, 363 4183, 363 4789

Fax : 91-22-363 4392

E-mail : gstl@bol.net.in

Website : www.gandhitubes.com

WORKS :

NURPURA VILLAGE,

TALUKA-HALOL, DIST. PANCHMAHAL,

GUJARAT. PIN - 389 350

T-39, M.I.D.C., BHOSARI,

PUNE - 411 026

AUDITORS :

S. V. DOSHI & CO.

CHARTERED ACCOUNTANTS

BANKERS :

CANARA BANK,

GIRGAUM BRANCH,

MUMBAI - 400 004

COMPANY LAW CONSULTANTS :

DHOLAKIA & ASSOCIATES,

COMPANY SECRETARIES

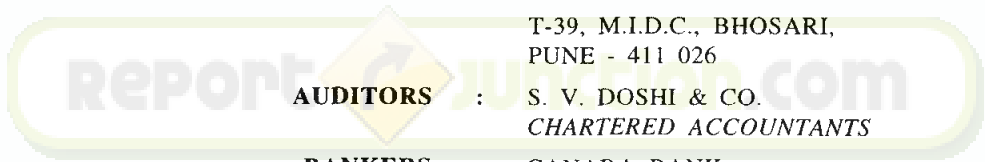
DETAILS OF STOCK EXCHANGE :

COMPANY'S EQUITY SHARES ARE

LISTED ON MUMBAI STOCK EXCHANGE

LISTING FEES :

LISTING FEES PAID UPTO 2002-2003



NOTICE

NOTICE is hereby given that the Seventeenth Annual General Meeting of the members of GANDHI SPECIAL TUBES LIMITED will be held on Tuesday the 30th July, 2002 at 11.00 a.m. at Kanji Khetsey Sabhagriha, Bharatiya Vidya Bhavan, Kulpati K.M.Munshi Marg, Mumbai 400 007, to transact the following business:

Ordinary Business

1. To receive, consider and adopt the Balance Sheet as at 31st March, 2002 and the Profit & Loss Account of the Company for the year ended on that date together with the Directors' Report and the Report of the Auditors thereon.
2. To declare a dividend on equity shares.
3. To appoint Director in place of Shri B.G.Gandhi, who retires by rotation and being eligible offers himself for reappointment.
4. To appoint Director in place of Shri D.S.Shah who retires by rotation and being eligible offers himself for reappointment.
5. To appoint Auditors and to fix their remuneration.

Special Business

6. To consider and if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, Schedule XIII and other applicable Provisions of the Companies Act, 1956, Shri M.G.Gandhi be and is hereby re-appointed as Managing Director of the Company for a further period of five years with effect from 1st January, 2002 on the terms and conditions including remuneration as set out in the draft agreement submitted to this meeting and signed by the Chairman for the purpose of identification which agreement is hereby specifically sanctioned with a liberty to the Directors to alter and vary the terms and conditions of the said appointment and / or agreement, so as not to exceed the limits of remuneration, if any, specified in Schedule XIII to the Companies Act, 1956 or any amendments thereto as may be agreed to between the Directors and Shri M.G.Gandhi.

7. To consider and if thought fit, to pass, with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, Schedule XIII and other applicable Provisions of the Companies Act, 1956, Shri B.G.Gandhi be and is hereby re-appointed as Joint Managing Director of the Company for a further period of five years with effect from 1st January, 2002 on the terms and conditions including remuneration as set out in the draft agreement submitted to this meeting and signed by the Chairman for the purpose of identification which agreement is hereby specifically sanctioned with a liberty to the Directors to alter and vary the terms and conditions of the said appointment and / or agreement, so as not to exceed the limits of remuneration, if any, specified in Schedule XIII to the Companies Act, 1956 or any amendments thereto as may be agreed to between the Directors and Shri B.G.Gandhi.

By Order of the Board of Directors

N. H. MANKAD
COMPANY SECRETARY

Regd. Office :
Jariwala Mansion,
43, K.M. Munshi Marg,
Near Bhartiya Vidya Bhavan,
Mumbai 400 007
Date : 23rd May, 2002.

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND A PROXY NEED NOT BE A MEMBER. PROXY FORM IN ORDER TO BE EFFECTIVE MUST BE RECEIVED BY THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING. A PROXY SO APPOINTED SHALL NOT HAVE ANY RIGHT TO SPEAK AT THE MEETING. BLANK PROXY FORM IS ENCLOSED.
2. The Register of Members and Share Transfer Books of the Company will be closed from Saturday, the 27th July, 2002 to Tuesday, 30th July 2002 (both days inclusive).
3. Explanatory Statement pursuant to Section 173 of the Companies Act, 1956, in respect of special business is annexed hereto.
4. Beneficial Owners holding shares in electronic/demat form are requested to notify any change in their address, bank account, mandate, etc. to their respective Depository Participant. Members holding shares in physical form are requested to notify any change in their address, bank account etc. to the Company. With a view to preventing fraudulent encashment of dividend warrants, members holding shares in physical form are advised to furnish to the Company particulars of their bank account with a request to the Company to incorporate the same in the dividend warrant.
5. The dividend on the Equity Shares as recommended by the Board of Directors for the year ended 31st March, 2002 when sanctioned at the Annual General Meeting of the Company will be payable within Thirty days from the date of declaration of dividend by the members i.e. on or before 28th August, 2002, to those shareholders whose names appears on the Company's Register of Members as on 30th July 2002 or as the beneficial owner of shares in the records of the Depository as on 26th July, 2002.
6. Income tax will be deducted at source from dividend payable to Members except in cases of Members who are Resident Individuals and whose dividend amount payable during the financial year does not exceed Rs. 1,000/-. Therefore, Members in all other cases, who intend to seek exemption from deduction of Income-Tax at source, are requested to submit a declaration in Form No. 15G IN DUPLICATE duly completed in all respects or Tax Exemption Certificate issued by Income-Tax officer to the registered office of the Company on or before 30th July, 2002.
7. Members' attention is being drawn that pursuant to the provisions of Section 205A of the Companies Act, 1956, with effect from Financial Year ended 31st March, 1997 dividend which remains unpaid or unclaimed for a period of seven years will be transferred to the Investor Education and Protection Fund of the Central Government. Members who have not encashed their dividend warrant(s) for the financial year ended 31st March, 1997 to 31st March, 1999 along with Interim Dividend for the year 1999-2000 and Dividend for the year 2000-2001 are requested to write to the Company's Share Department at its Registered Office. It may also be noted that once the unclaimed Dividend is transferred to the Central Government as above, no claim shall lie in respect thereof with the Company.
8. Members desirous of getting any information about the accounts and operations of the Company are requested to write their queries to the Company at least seven days in advance of the meeting so that the information required can be made readily available at the meeting.
9. Members/ Proxies should bring the attendance slip duly filled in for attending the meeting. The identity/ signature of the Members holding shares in electronic/demat form is liable for verification with specimen signatures as may be furnished by NSDL/CDSL to the Company. Such Members are advised to bring the relevant identity card issued by the Depository Participant for attending the Annual General Meeting.
10. Members are once again requested to note that the Company's shares are under compulsory Demat trading with effect from 2nd April, 2001 for all investors. Members are therefore requested to Demat their shareholding to avoid inconvenience in future.
11. **Members are requested to inform the Company, the Permanent Account Number (PAN) or General Index Register (GIR) Number allotted by the Income Tax authorities & the Income Tax Ward/**

Range/District where assessed/assessable as the same is required to be mentioned in the Certificate of Tax, in respect of tax, if any, deducted at source from the dividend.

12. Members are requested to bring their copy of the Annual Report to the Annual General Meeting.
13. Registrar and Transfer activity for shares held in physical form continue to be carried out in-house. In respect of shares held in electronic/demat form, the Company has appointed Intime Spectrum Registry Private Limited., 260, Shanti Indl. Estate, Sarojini Naidu Road, Mulund (West), Mumbai 400080, as Registrar. The Register of Members is maintained at the Registered Office of the Company.

EXPLANATORY STATEMENT PURSUANT TO SECTION 173 (2) OF THE COMPANIES ACT, 1956.

ITEM NO. 6 & 7

The present terms of Shri M.G.Gandhi as Managing Director and Shri B.G.Gandhi as Joint Managing Director have expired on 31st December 2001.

The Board of Directors of the company at its Meeting held on 24th October, 2001 re-appointed Shri M.G.Gandhi and Shri B.G.Gandhi as Managing Director and Joint Managing Director respectively of the Company, with effect from 1st January 2002 for a further period of Five Years, subject to the approval of the Company in General Meeting in accordance with Schedule XIII of the Act as prevailing at the time of passing the resolution at the said Board Meeting. The terms and conditions including remuneration payable to Shri M.G.Gandhi and Shri B.G.Gandhi are set out in the draft Agreements to be entered into by the Company with Shri M.G.Gandhi and Shri B.G.Gandhi contain inter alia the following terms and conditions:

OVERALL REMUNERATION:

Subject to the provisions of Sections 198, 269, 309, Schedule XIII and other provisions applicable of the Companies Act, 1956, if any, the remuneration payable to Shri M.G.Gandhi, Managing Director and Shri B.G.Gandhi, Joint Managing Director, in any financial year shall not exceed 10% (Ten percent) of the net profits of the Company.

MINIMUM REMUNERATION

Where in any financial year during the currency of the tenure of Shri M.G.Gandhi, Managing Director and Shri B.G.Gandhi, Joint Managing Director, the company has no profits or its profits are inadequate, the remuneration payable to Shri M.G.Gandhi, Managing Director and Shri B.G.Gandhi, Joint Managing Director, will be according to the applicable provisions of Schedule XIII of the Act. Within the aforesaid ceiling, the remuneration payable to Shri M.G.Gandhi, Managing Director and Shri B.G.Gandhi, Joint Managing Director, shall be as follows:-

SALARY:

Not Exceeding Rs.80000/- p.m. with annual increment as may be decided by the Board/ Committee of the Board, subject to a ceiling of 30% per annum.

COMMISSION:

As decided by the Board of Directors at the time of adoption of accounts, but not exceeding the ceiling prescribed under Section 198 and 309 of the Companies Act, 1956.

PERQUISITES:-

- a) Rent Free furnished accommodation along with benefits of gas, fuel, water, electricity and telephone/ fax as also upkeep and maintenance of the Company's furnished accommodation; the value of such accommodation and its upkeep and maintenance being evaluated in accordance with the provisions of the Income Tax Rules. Personal long distance calls will be billed to Shri M.G.Gandhi and Shri B.G.Gandhi
- b) Conveyance: Company car with chauffeur or alternatively Company to maintain Shri M.G.Gandhi's and Shri B.G.Gandhi's personal car and provide him with a chauffeur; monetary value for private use to be evaluated in accordance with the Income Tax Rules.

Gandhi Special Tubes Limited

- c) Medical Benefits: Reimbursement of medical expenses for themselves and their family actually incurred during the continuance of his employment as per Rules of the Company up to a limit of one months salary in a year or three months salary over a period of three years.
- d) Leave: 30 working days leave (traveling time included) once in every year of service, with encashment of unavailed leave at the end of their tenure.
- e) Leave Travel Assistance: Once in every year of service or as per Rules of the Company.
- f) Personal Accident Insurance for them, premium of which shall not exceed Rs.4000/- per annum.
- g) Club fee for them will be subject to a maximum of two clubs. No admission or life membership fee will be paid.
- h) Contribution to Provident Fund, Superannuation Fund or Annuity Fund to the extent these either singly or put together are not taxable under the Income Tax Act, 1961; gratuity payable at a rate not exceeding half a month salary for each completed year of service and encashment of unavailed leave at the end of tenure shall not be included in the computation of the ceiling on remuneration in terms of Schedule XIII of the Companies Act, 1956.
- i) Shri M.G.Gandhi and Shri B.G.Gandhi will not be entitled to sitting fees for meetings of the Board/ Committee of the Board attended by them.

Apart from the above, the aforesaid Agreements contain further terms and conditions as to the tenure of office, the powers and duties of Managing Director and Joint Managing Director, reimbursement of entertainment, travelling and all other expenses incurred by them for the business of the Company, provisions for earlier determination of the appointment by either party by giving six month's notice in writing to the other party, etc.

The Board recommends the General Meeting to approve the re-appointment of Shri M.G.Gandhi and Shri B.G.Gandhi as Managing Director and Joint Managing Director respectively on the terms and conditions set out hereinabove as the same are in the interest of the company.

The explanation together with the accompanying notice is and should be treated as an abstract of the terms of re-appointment of Managing Director and Joint Managing Director under Section 302 of the Companies Act, 1956.

The draft Agreements to be entered into by the Company with Shri M.G.Gandhi and Shri B.G.Gandhi are available for inspection of the members of the Company at the Registered Office of the Company on all working days except Saturday between 10.30 a.m. and 12.30 p.m. up to the date of the Annual General Meeting

Shri M.G.Gandhi and Shri B.G.Gandhi are interested in the resolution concerning their own appointment as also in the appointment of each other being related to each other. Shri Jayesh Gandhi, Director may also be considered to be interested or concerned in the resolution for appointment of Shri M.G.Gandhi being related to him. None of the other Directors are concerned or interested in the resolutions.

By Order of the Board of Directors

N. H. MANKAD
COMPANY SECRETARY

Regd. Office :
Jariwala Mansion,
43, K.M. Munshi Marg,
Near Bhartiya Vidya Bhavan,
Mumbai 400 007
Date : 23rd May, 2002.

DIRECTORS' REPORT

To
The Members,

Your Directors have pleasure in presenting their Seventeenth Annual Report together with the Audited Accounts for the year ended 31st March, 2002.

1. FINANCIAL RESULTS

	31.03.2002	(Rs. in Lacs) 31.03.2001
SALES	2382.27	2549.95
PROFIT BEFORE TAXATION	573.57	573.84
Less : Provision for Taxation		
(i) Current Tax	211.12	232.00
(ii) Deferred Tax (Net)	(14.61)	0.00
PROFIT AFTER TAXATION	377.05	341.84
Proposed Dividend	88.19	110.24
Corporate Dividend tax	0.00	11.24
Transfer to General Reserve	100.00	100.00
Balance Carried to Balance Sheet	1114.55	1160.06

2. REVIEW OF OPERATIONS

There was no let up in the recessionary conditions which have gripped the Indian economy for the past few years, resulting in continued decrease in demand for products like Refrigerators, Automobiles etc. which are the end uses of Company's finished products. Your company posted a lower turnover of Rs. 2382.27 Lacs during the year under review as against a turnover of Rs. 2549.95 Lacs in the previous year i.e a decline of 6.58%. In spite of lower turnover, there was only marginal decline in profits before tax, during the year at Rs. 573.57 Lacs compared to Rs. 573.84 Lacs in the previous year. This was made possible on account of various cost cutting measures and proper inventory and financial management.

During end of the third quarter of the financial year under review, your Company commenced manufacturing of Cold Formed Nuts. Your Company is one of the few manufacturers of Cold Formed Nuts in India as most of the other manufacturers use the machining process for manufacturing the Nuts. The Company has imported Six Station Cold Formed Machine. With this your Company is continuing its philosophy to manufacture world class products. The Company expects good demand for Nuts from its existing customers (Automobile/ Hydraulic) which will contribute to the Company's sales in future.

3. FUTURE OUTLOOK

The outlook for the Indian economy in general is not very encouraging. However, with the investments already made by the Company to manufacture new product and proposed investments to improve productivity, your Company is well placed to meet the demands from its customers as and when the economy shows signs of recovery. Under the prevailing circumstances, the order book position of the Company is satisfactory. Your Directors look forward to the current year prospects with cautious optimism.

4. DIVIDEND

With a view to conserve resources to replace major parts of old imported plant and other machinery for improving productivity and for general corporate purposes, your Directors, after careful consideration, have decided to recommend a lower dividend @ 12% (Rs. 1.20 per share) for the year under review.

5. QUALITY SYSTEM

The Company's Halol Plant was re-certified as ISO - 9002 during the year. Upgradation of Quality System to QS 9000 / ISO TS 16949 is under progress.

6. CORPORATE GOVERNANCE

Much before the applicability of the Corporate Governance Code under the Listing Agreement, your Company has constituted Share Transfer Committee and the Audit Committee. The composition of the Board is as per the listing norms. All the Directors attend most of the meetings of the Board and also attend Annual or Extra Ordinary General Meetings. The Audit Committee met Two times during the year. Various recommendations of the Audit Committee have been accepted and implemented by the Company. However, detailed report under the Corporate Governance will be furnished in the next year as the same is applicable to the Company for the year 2002-2003.

7. DEPOSITS

Your company has not accepted any deposits from the public during the year under review.

8. DIRECTORS

Shri B.G.Gandhi and Shri D.S.Shah retire by rotation and being eligible offer themselves for reappointment.

Consequent upon expiry of the term of appointment of Shri M.G.Gandhi and Shri B.G.Gandhi as Managing Director and Joint Managing Director respectively on 31st December, 2001, the Board of Directors has reappointed them for a further period of 5 years from 1st January, 2002. Their reappointment is subject to the approval of the shareholders and the Board recommends their re-appointment.

9. DIRECTORS' RESPONSIBILITY

Pursuant to Section 217 (2AA) of the Companies (Amendment) Act, 2001, the Directors confirm that:

- i) in the preparation of the annual accounts, the applicable accounting standards have been followed;
- ii) the accounting policies have been consistently applied and reasonable and prudent judgement and estimates have been made so as to give a true and fair view of the profit of the Company for the year ended on 31st March, 2002 and the state of affairs of the Company as at 31st March, 2002 as disclosed in the enclosed accounts;
- iii) proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- iv) the annual accounts have been prepared on a going concern basis.

10. RELATED PARTY TRANSACTIONS

In accordance with the Accounting Standard 18 prescribed by the Institute of Chartered Accountants of India, transactions with related parties have been disclosed separately and form a part of this report.

11. AUDITORS

The Company's Auditors M/s.S.V.Doshi & Co., Chartered Accountants, retire at the conclusion of the ensuing Annual General Meeting, and are eligible for reappointment. The Company has received the certificate to this effect from the Auditors.

12. PARTICULARS OF EMPLOYEES

There were no employees other than the Managing Director and Joint Managing Director, covered under the purview of Section 217 (2A) of the Companies Act, 1956 and the Rules framed there under.

13. CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION & FOREIGN EXCHANGE EARNINGS AND OUTGO.

Information in accordance with the provisions of Section 217 (1) (e) of the Companies Act, 1956 and the Companies (Disclosure of Particulars in the Report of Directors) Rules, 1988 is given in Annexure and forms part of this report.

14. ACKNOWLEDGEMENT

Your Directors place on record their appreciation for the continued support of the company's Customers, Bankers and Suppliers. Your Directors also appreciate the contribution of the employees at all levels through their involvement, dedication and sincerity.

For and on behalf of the
Board of Directors

J.M. MEHTA
CHAIRMAN

Mumbai : 23rd May, 2002.

ANNEXURE TO DIRECTORS' REPORT

PARTICULARS REQUIRED UNDER THE COMPANIES (DISCLOSURE OF PARTICULARS IN THE REPORT OF BOARD OF DIRECTORS) RULES, 1988 FOR THE YEAR ENDED ON 31ST MARCH, 2002.

I. CONSERVATION OF ENERGY

- i) Conservation of energy is an on going process at the company. There is a close control on day to day basis over consumption of power.
- ii) Motors of optimum HP are connected to Draw Benches & other machinery resulting in reduction in electrical losses.

FORM – A**A. POWER AND FUEL CONSUMPTION**

PARTICULARS		2001-2002	2000-2001
1. Electricity Purchased			
Units Purchased	Lacs KWH	26.30	27.29
Total Amount	Rs. Lacs	137.82	141.45
Average Rate / KWH	Rupees	5.24	5.18
2. LPG Consumed			
Quantity Consumed	Tonnes	626.28	633.53
Total Amount	Rs. Lacs	96.55	121.37
Average Rate/ Tonne	Rupees	15415.91	19157.63

B. CONSUMPTION PER UNIT OF PRODUCTION

PARTICULARS		2001-2002 Per Tonne	2000-2001 Per Tonne
1. Electricity*	KWH	1492.00	1375.00
2. LPG*	Tonne	0.355	0.319

(* Indicates combined consumption of welded and seamless tubes)